



Roadmap to Implementing
Michigan's New Energy Policy

Progress Report – Demand Response

Wednesday, March 15, 2017

11:00 AM–12:00 PM

Where We Left Off

**February
2016**

Stakeholders
finalize their vision
and
recommendations
for Demand
Response

**March
2016**

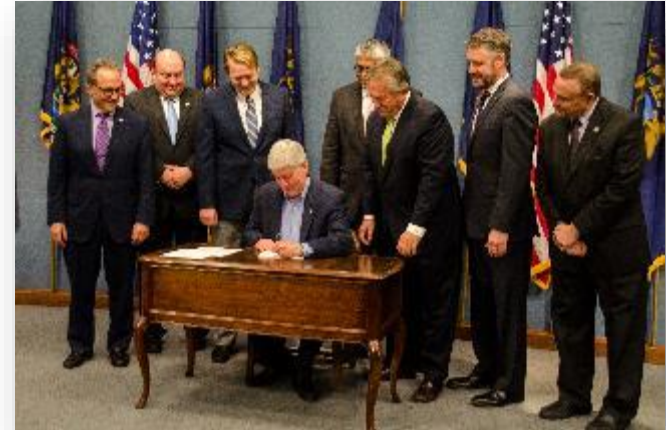
Steering
Committee
reviews
stakeholder's
recommendations
and directs MPSC
staff to begin
implementation

**December
2016**

At long last
Michigan has a
new energy policy

Michigan's New Energy Policy

- On December 21, 2016, Governor Rick Snyder signed historic energy policy reforms into law
- The bills update Michigan law to;
 - Reducing energy waste by providing incentives for utilities to enhance current programs
 - Requiring all electric providers to have adequate resources
 - Allowing regulated utilities to use on-bill financing programs
 - Requiring utilities to develop a long-term planning process



Vision for Demand Response

- **Embrace new enabling technologies** and leverage their full potential to cost-effectively deliver public benefits through innovative program designs
- **Be voluntary**, allowing customers the opportunity to choose whether or not to participate in DR programs
- **Be simple, easy, and transparent** for customers to understand and access
- **Improve reliability** of the electric power system
- **Reduce peak load and associated costs**, serving as a cost-effective and reliable way to relieve peak demand and improve system stability without needing to increase supply-side capacity

Vision for Demand Response

- **Meet capacity, energy, and ancillary service resource needs** where DR is more economic and reliable than alternative supply-side options
- **Provide financial benefits** for consumers and utilities
- **Provide flexibility** in order to accommodate customers of all sizes; specifically, programs should permit larger customers to make individual agreements with their utility
- **Be a trusted resource with accurate measurement and verification**—it is important that resources can be counted on when they are needed and that their calculated benefits are realized
- **Meet the resource adequacy requirements** of the relevant regional transmission organization

Recommendations for Promoting Demand Response

- Study Demand Response Potential
- Structure Customer Compensation and Ensure Adequate Demand Response Performance
- Structure Utility Compensation and Measure Performance

Link to [Stakeholder Group Demand Response Recommendations](#)

Implementing Recommendations

Studying Demand Response Potential

Demand Response Potential Study

Implementation Status

Implemented: Public Act 341 of 2016, section 6(t), requires regulated electric utilities to file an IRP. A requirement in the same section of PA 341 directs the commission to conduct an assessment for the use of demand response programs in the state. The results of the statewide DR assessment will then be used to establish IRP modelling scenarios and assumptions for use by the utilities in their required filings.

Implementing Recommendations

Structuring Customer Compensation and Ensuring Adequate DR Performance

TIME-OF-USE PRICING (TOU)	
Parameter	Implementation Status
Pricing/interruption period (frequency and timing)	Implemented. DTE and Consumers have instituted two-tier and three-tier TOU rates. The Michigan Public Service Commission (MPSC) approved these rates in the utilities' most recent general rate cases (Cases U-17990 and U-18014).
Opt-in/out provision	Implemented. The commission-approved TOU rates are opt-in only. In recent rate case orders, the commission rejected utilities' proposals to use three-tier rates as the default for new customers(Case U-18014).
Notification method and timing	Implemented. Current two-tier TOU rates do not require customer notification.
On-/off-peak price ratio	Partially implemented. The commission has recently approved separate price differentials for DTE and Consumers' TOU rates.
Incentive offered	In progress. As utilities gain more experience with and customer feedback on their new TOU rates, they will be able to better optimize incentives to produce desired results.
Contract term	Implemented. PA 342 established that customers participating in load management programs will be required to stay for at least one year

Implementing Recommendations

Structuring Customer Compensation and Ensuring Adequate DR Performance

CRITICAL-PEAK PRICING AND CRITICAL-PEAK REBATES (CPP and CPR)

Parameter	Implementation Status
Notification method and timing	Implemented. Current utility programs require notification to be given a day in advance of critical-peak events. DTE's approved tariff specifies that notification may be made via telephone, text message, email, or in-home device.
Critical-peak/off-peak price ratio	In progress. More experience with and expanded participation in TOU rates will enable utilities' to further optimize critical-/off-peak price differentials. Currently, Consumers and DTE continue to use critical-peak prices of \$0.95.
Price vs. rebate	In progress. Only Consumers offers CPP and CPR programs. New and expanded program offerings are expected as utilities garner more experience in offering CPP and CPR programs.
Incentive offered	In progress. Incentives offered will be further refined as utilities gain more experience in offering critical-peak rates and learn from customer participation and feedback.
Contract term	Implemented. PA 342 established that customers participating in load management programs will be required to stay for at least one year

Implementing Recommendations

Structuring Customer Compensation and Ensuring Adequate DR Performance

DIRECT LOAD CONTROL (DLC) PROGRAMS

Parameter	Implementation Status
Opt-in/-out provision	Implemented. Currently DLC programs require a customer to opt-in. Consumers' DLC program allows the customer to opt-out of one load control event per summer. Additional opt-outs granted by Consumers may result in the customer's bill credit being forfeited.
Notification method and timing	Implemented. Stakeholders' recommendation is reflected in Consumers and DTE's DLC programs.
Pricing/interruption period (frequency and timing)	Implemented. Stakeholders' recommendation is reflected in Consumers and DTE's DLC programs.
Price vs. rebate	Implemented. DTE offers customers a discounted rate for their participation in DLC programs. Consumers offers a monthly bill credit.
Incentive offered	In progress. With more experience and participants on DLC rates, utilities will further optimize incentives. The monthly bill credit offered by Consumers is based on the summer incremental capacity costs as outlined in their general rate case.
Contract term	Implemented. PA 342 established that customers participating in load management programs will be required to stay for at least one year

Implementing Recommendations

Structuring Utility Compensation and Measuring Performance

Recommendation Category	Implementation Status
Measuring program performance	Implemented. The MPSC's orders in cases U-17936 and U-18013 require DTE and Consumers to file monthly and annual reports containing the data necessary to determine program performance on recommended metrics. The data provided in these reports will allow stakeholders to develop performance measures to evaluate the effectiveness of utility DR programs.
Utility compensation: Cost Recovery	Implemented. PA 342 established that utilities can recover costs for load management through base rates, if the costs are reasonable and prudent and meet the utility systems resource cost test.
Utility compensation: Performance Reward	In progress. Public Acts 341 and 342 allowed utilities' to use a financial incentive mechanism for DR program spending. PA 341 also included a provision allowing the use of a shared savings mechanism in utilities' IRPs.
Measuring program cost effectiveness	Implemented. PA 342 established that load management program costs must meet the utility systems resource cost test.
Program reporting	Implemented. The MPSC's orders in cases U-17936 and U-18013 require DTE and Consumers to file monthly and annual demand response reports. These reports must include detailed accounts of participation in DR programs, available MW of demand reduction, resource capacity reported to the RTO, energy savings, and program spending.
Integrating DR with energy-efficiency plans	In progress. Demand response is included, to some extent, in the portions of PA 342 related to energy waste reduction (EWR) plans. MPSC will be hosting a stakeholder group to discuss the framework for evaluating and rewarding demand response programs throughout 2017, including integration with EWR.
Third-party verification	Not implemented.
RTO verification	Not implemented.

Next Steps

- The Michigan Public Service Commission along with the Michigan Agency for Energy, and the Department of Environmental Quality are beginning the implementation of Michigan's new energy policy.
- PA 341 Section 6t requires the MPSC to establish modeling scenarios and assumptions utilities should include in developing their IRP. The MPSC has established a stakeholder process to work through these scenarios and assumptions including subgroups devoted to different aspects of the IRP. One of these subgroups will be devoted to Demand Response.
- The **Demand Response Workgroup** will meet **Friday, March 17 at 9:00 am.**

Questions?